Introduced by Assembly Member Frommer

February 17, 2005

An act to add Chapter 11.7 (commencing with Section 66970) to Part 40 of the Education Code, to amend Sections 11011 and 54221 of, and to add Part 11.5 (commencing with Section 15870) to Division 3 of Title 2 of, the Government Code, relating to state property, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 593, as introduced, Frommer. State property: California Hope Endowment and California Hope Public Trust.

(1) Existing law requires a state agency to transfer to the Department of General Services jurisdiction of all land that is reported by the agency as excess and authorizes the department to sell or dispose of the property. Existing law requires the department to determine whether the land is needed by another state agency and authorizes the department to transfer the property to that agency on terms and conditions the department deems to be for the best interests of the state. The department is required to offer to local government agencies surplus land that is not needed by a state agency. Existing law requires the Department of General Services to maintain a complete and accurate statewide inventory of all real property held by the state.

Existing law authorizes the Director of General Services to lease, lease—purchase, or lease with the option to purchase any real property for use of any state agency if the director deems the lease to be in the best interests of the state.

 $AB 593 \qquad \qquad -2 -$

The State Building Construction Act of 1955 authorizes the State Public Works Board, among other things, to construct public buildings, contract with other state agencies for the use of real property owned by the state upon which to construct a public building, fix, alter, charge, and collect rents and other charges for the use of public buildings or for the services rendered by the board, and issue certificates or revenue bonds to obtain funds to pay the cost of public buildings. Existing law authorizes the State Public Works Board to select and acquire, in the name of and on behalf of the state, with consent of the state agency concerned, the fee or any lesser right or interest in any real property necessary for any state purpose or function.

This bill would establish the California Hope Public Trust in state government, to be governed and administered by a 7-member board consisting of 4 appointees from the Governor, the Secretary of State and Consumer Services, the Treasurer, and the Controller. The bill would require the Department of General Services by March 31, 2006, to submit to the trust a complete and thorough inventory of all state—owned real estate and property and all lease agreements between any state agency, and private or nonpublic management groups. The bill would require the trust by January 1, 2007, to review and recommend to the Legislature all real property owned by the State of California that should be transferred to the trust. The bill would require the Legislature by September 30, 2007, to transfer to the trust management and control of all state—owned real estate recommended by the trust for transfer, with specified exceptions.

The bill would require the trust, among other things, to provide land and buildings it manages and controls for the accommodation of all state agencies, by lease or license or any other arrangement, for their use and occupation, and fulfill an obligation to the state to provide innovative stewardship of real property and infrastructure. The bill would authorize the trust to acquire and dispose of land and buildings, construct and maintain buildings, conduct studies or surveys with regard to future office space and building needs of the state, acquire or construct land and buildings that include premises suitable for commercial use and lease any portion of the property or premises to any public or private entity, enter into joint ventures with other public or private entities for the construction or development of buildings and land for joint—use purposes, approve loans or other financing for projects undertaken by the trust, and contract with the Department of

-3- AB 593

General Services for the management and maintenance of properties and buildings in the possession of the trust.

Commencing on or before July 1, 2008, and each year thereafter, the bill would require the trust to report to the Legislature on the activities undertaken by the trust and to include a financial statement showing the assets, liabilities, revenues, and expenditures of the trust. The bill would require all net proceeds received or generated as a result of activities of the trust to be paid to the California Hope Endowment Fund, which the bill would create as a continuously appropriated fund, for allocation by the board of the endowment for specified public postsecondary purposes.

(2) Existing law, known as the Donahoe Higher Education Act, sets forth, among other things, the missions and functions of California's public and independent segments of higher education, and their respective institutions of higher education. Provisions of the act apply to the University of California only to the extent that the Regents of the University of California, by appropriate resolution, act to make a provision applicable.

This bill would add to the Donahoe Higher Education Act provisions establishing the California Hope Endowment, with a mission of increasing the number of Californians who attend colleges or universities and receive degrees. The bill would require that the endowment be governed by a 7–member board, consisting of 4 gubernatorial appointees, and one member each appointed by the Regents of the University of California, the Trustees of the California State University, and the Board of Governors of the California Community Colleges.

The bill would require the endowment board to develop guidelines and criteria for the awarding of grants for promising and innovative approaches for the improvement of access to California's public colleges and universities. The bill would require funding from the endowment to supplement, and not replace, General Fund investment in public higher education. The bill would authorize the endowment to accept donations from corporations, individuals, or foundations, or to receive grants from private sources and public agencies, for any of the endowment's purposes.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. Statemandated local program: no.

AB 593 —4—

The people of the State of California do enact as follows:

SECTION 1. This act shall be known and may be cited as the California Hope Endowment and Higher Education Land Grant for the 21st Century.

- SEC. 2. The Legislature finds and declares all of the following:
- (a) Historically, California's institutions of higher education have prepared significant numbers of educated, responsible people who contribute to California's schools, economy, culture, and future. These institutions of education are often conduits for innovation in the fields of technology, science, engineering, and the arts.
- (b) The prosperity of California's future economy and the well-being of its families depend not just on our natural resources and the quality of our environment, but on the skills and knowledge of California's people. Economists widely agree that the 21st Century—even more than the 20th—will be the "human capital" century, and that expanding the number of Californians with higher education degrees is critical to continued economic growth and expanded opportunity.
- (c) The future of California depends on an educated populace to form a solid and dependable economy. In fact, a person with a bachelor's degree can earn nearly one million dollars (\$1,000,000) more than a high school graduate over the course of his or her working life. State per capita income is systematically higher in states where a high percentage of the population has an undergraduate university degree.
- (d) For every one dollar (\$1) the state invests in the California State University, the California State University returns four dollars and forty—one cents (\$4.41). Furthermore, technology licensing agreements with the University of California have resulted in the creation of more than 160 companies and spurred job growth in the biotech industry.
- (e) The authors of the 1960 Master Plan for Higher Education believed that the traditional policy of tuition—free higher education is in the best interest of the state and should be continued. Students have seen commitment to this ideal erode significantly. Since December 2002, fees for the California State University system have risen by 75 percent. The final budget for

-5— AB 593

the 2004–05 fiscal year raised student fees by 14 percent—seven hundred dollars (\$700) a year—for undergraduates attending the University of California, and community college fees rose by 44 percent—to seven hundred eighty dollars (\$780) for each full—time student. These fee increases came at a time when an estimated 100,000 students have dropped out of the system because of higher fees and unavailable classes. The final budget for the 2004–05 fiscal year also reduced enrollment at the California State University by 11,000 students.

- (f) Today, for too many students, the dream of attending college seems out of reach. One in five California children live in poverty. One in four is an English language learner. Two out of every five children have parents who did not attend college. A declining percentage of high school graduates are enrolling in college by age 19 years, and California now ranks 25th among the states in the percentage of ninth graders who achieve college degrees by age 24 years.
- (g) The Legislative Analyst's office estimates that the annual deficit will grow to nearly ten billion dollars (\$10,000,000,000) in the 2006–07 fiscal year. Higher education remains particularly vulnerable to further reductions because it is one of the few major areas of the budget not protected by constitutional guarantees or federal law.
- (h) To respond to the challenges of protecting California's investment in our young people, this act will establish the California Hope Endowment and the California Hope Public Trust. The endowment will be funded by a transfer of state—owned property, including offices, industrial property, warehouses, and nonenvironmentally sensitive urban land clearly suitable for development, to the California Hope Public Trust, which will manage the state's real estate like a business on behalf of the taxpayers and the endowment.
- (i) The Department of General Services, in its admittedly incomplete inventory, estimates that the state owns about 6.6 million acres of land, and about 23,000 structures totaling around 204 million square feet. It owns 46 million square feet of offices, industrial spaces, warehouses, residences, and parking structures, not including facilities such as hospitals, laboratories, classrooms, prisons, and dormitories. It leases another 2,000 sites, including about 15.5 million square feet of offices. These

AB 593 -6-

holdings offer California opportunities to produce revenue, build higher quality, environmentally sustainable, smart growth projects, create jobs, and reduce government costs.

- (j) This act will address the future security of California's economy, quality of life, and commitment to higher education. The California Hope Endowment will be charged with renewing the promise of the 1960 Master Plan for Higher Education by expanding the number of young Californians who can attend college and receive degrees.
- SEC. 3. Chapter 11.7 (commencing with Section 66970) is added to Part 40 of the Education Code, to read:

Chapter 11.7. California Hope endowment

- 66970. (a) The California Hope Endowment is hereby created in state government. The endowment shall be governed by a seven—member board. The members of the endowment board shall be appointed as follows:
 - (1) The Governor shall appoint four members.
- (2) The Regents of the University of California shall appoint one member.
- (3) The Trustees of the California State University shall appoint one member.
- (4) The Board of Governors of the California Community Colleges shall appoint one member.
- (b) The appointment of each person nominated to the endowment board by the Governor under paragraph (1) of subdivision (a) is subject to confirmation by a majority vote of the membership of the Senate.
- (c) The term of office of each member of the endowment board appointed under this section shall be four years. The endowment board shall elect a president from its membership. Four members constitute a quorum of the endowment board.
- (d) Each member of the endowment board shall serve without compensation, but shall be reimbursed for traveling and other expenses actually and necessarily incurred in the performance of his or her duties.
- (e) All meetings of the endowment board shall be subject to the requirements of the Bagley-Keene Open Meeting Act

-7- AB 593

(Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

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- 66971. (a) The purpose of the endowment is to renew the promise of the 1960 California Higher Education Master Plan, by increasing the number of Californians who attend colleges or universities and receive degrees. The endowment shall assess and promote the most promising and innovative approaches for the improvement of access to California's public colleges and universities.
- (b) The endowment board shall develop guidelines and criteria for awarding grants that further the purposes of subdivision (a). It is the intent of the Legislature that the endowment board consider, but not necessarily be limited to, the following areas of investment in higher education:
- (1) Strengthening academic enrichment and college preparation and outreach programs to ensure that high school and elementary school pupils take the right courses and receive the proper counseling to prepare them for higher education.
- (2) Increasing the availability of advanced placement classes and classes that meet the A–G requirements for university admission, and encouraging dual enrollment in community college, so that motivated students are not held back by limited course offerings at their high schools.
- (3) Bolstering financial aid at public colleges and universities so that rising fees and the high cost of textbooks do not close the door on students due to financial need, whether they are recent high school graduates or adults returning to college in midcareer to improve their knowledge and skills.
- (4) Improving counseling and coordination between community colleges and universities, so that more community college students take the right courses and are able to transfer to universities to receive undergraduate degrees.
- (5) Offering improved counseling and support to make sure that more students who begin college obtain a degree.
- 66972. (a) Funds received by the endowment shall be deposited into the California Hope Endowment Fund, which is hereby established in the State Treasury and continuously appropriated for allocation by the endowment board for purposes of Section 66971.

-8-

(b) Funding from the endowment shall supplement, and not replace, General Fund investment in public higher education. The endowment may accept donations from corporations, individuals, or foundations, or receive grants from private sources and public agencies, for any of the purposes identified in this chapter.

- SEC. 4. Section 11011 of the Government Code is amended to read:
- 11011. (a) On or before December-31st 31 of each year, each state agency shall make a review of all proprietary state lands, other than tax-deeded land, land held for highway purposes, lands under the jurisdiction of the State Lands Commission, land that has escheated to the state or that has been distributed to the state by court decree in estates of deceased persons, and lands under the jurisdiction of the State Coastal Conservancy, over which it has jurisdiction to determine what, if any, land is in excess of its foreseeable needs and report thereon in writing to the Department of General Services. These lands shall include, but not be limited to, the following:
- (1) Land not currently being utilized, or currently being underutilized, by the state agency for any existing or ongoing state program.
- (2) Land for which the state agency has not identified any specific utilization relative to future programmatic needs.
- (3) Land not identified by the state agency within its master plans for facility development.
- (b) Jurisdiction of all land reported as excess shall be transferred to the Department of General Services, when requested by the director thereof, for sale or disposition under this section or as may be otherwise authorized by law.
- (c) The Department of General Services shall report to the Legislature annually, the land declared excess and request authorization to dispose of the land by sale or otherwise.
- (d) The Department of General Services shall review and consider reports submitted to the Director of General Services pursuant to—Section Sections 15878 and 66907.12 of—the Government Code this code and Section 31104.3 of the Public Resources Code prior to recommending or taking any action on surplus land, and shall also circulate the reports to all agencies that are required to report excess land pursuant to this section. In recommending or determining the disposition of surplus lands,

-9- AB 593

the Director of General Services may give priority to proposals by the state that involve the exchange of surplus lands for lands listed in those reports.

- (e) Except as otherwise provided by any other provision of law, whenever any land is reported as excess pursuant to this section, the Department of General Services shall determine whether or not the use of the land is needed by any other state agency. If the Department of General Services determines that any land is needed by any other state agency it may transfer the jurisdiction of this land to the other state agency upon the terms and conditions as it may deem to be for the best interests of the state.
- (f) When authority is granted for the sale or other disposition of lands declared excess, and the Department of General Services has determined that the use of the land is not needed by any other state agency, the Department of General Services shall sell the land or otherwise dispose of the same pursuant to the authorization, upon any terms and conditions and subject to any reservations and exceptions as the Department of General Services may deem to be for the best interests of the state. The Department of General Services shall report to the Legislature annually, with respect to each parcel of land authorized to be sold under this section, giving the following information:
 - (1) A description or other identification of the property.
 - (2) The date of authorization.

- (3) With regard to each parcel sold after the next preceding report, the date of sale and price received, or the value of the land received in exchange.
- (4) The present status of the property, if not sold or otherwise disposed of at the time of the report.
- (g) Except as otherwise specified by law, moneys received from any property disposition, including the sale, lease, exchange, or other means, that is received pursuant to this section shall be paid into the General Fund.

For purposes of this section, net proceeds shall be defined as gross proceeds less all costs directly related to the completion of the transaction including, but not limited to, selling costs, transfer fees, commissions, and costs incurred by the Department of General Services.

AB 593 —10—

(h) Any rentals or other revenues received by the department from real properties, the jurisdiction of which has been transferred to the Department of General Services under this section, shall be deposited in the General Fund in the account established by Section 15863. Any expenditures required to maintain, repair, care for, and sell this real property shall be paid from the appropriation made by Section 15863.

- (i) Nothing contained in this section shall be construed to prohibit the sale, letting, or other disposition of any state lands pursuant to any law now or hereafter enacted authorizing the sale, letting, or disposition.
- (j) This section shall be inoperative for the period commencing with the effective date of the act that added this subdivision, until July 1, 2005.
- SEC. 5. Part 11.5 (commencing with Section 15870) is added to Division 3 of Title 2 of the Government Code, to read:

PART 11.5. CALIFORNIA HOPE PUBLIC TRUST

15870. The California Hope Public Trust is hereby established in state government.

- 15871. (a) The trust shall be governed and administered by a seven–member board. The Governor shall appoint, subject to confirmation by the Senate Committee on Rules, four members to the board who shall have expertise in real estate, finance, and urban planning. The Secretary for State and Consumer Services, the Treasurer, and the Controller shall serve as ex officio members of the board.
- (b) Upon establishment of the board, the first term of office for two of the Governor's appointees shall be two years, and for the other two of the Governor's appointees, the first term of office shall be four years. After these initial terms, the term of office for members of the board appointed by the Governor shall be four years.
- (c) The board shall elect a president from its membership. Four members shall constitute a quorum of the board.
- (d) Each ex officio member of the board may designate a deputy, who is employed under the member's authority, to act in his or her place and stead on the board. While serving on the board, the deputy may exercise the same powers that the ex

-11- AB 593

officio member could exercise if he or she were personally present.

- (e) Each member of the board shall serve without compensation but shall be reimbursed for traveling and other expenses actually and necessarily incurred in the performance of his or her duties.
- (f) While serving on the board, a member shall be subject to Title 9 (commencing with Section 81000).
- 15872. (a) The board shall appoint and, notwithstanding Sections 19816, 19825, and 19826, shall fix the compensation of an executive director, a chief investment officer, and other investment officers and portfolio managers whose positions are designated managerial pursuant to Section 18801.1.
- (b) When fixing the compensation for the positions specified in subdivision (a), the board shall be guided by the principles contained in Sections 19826 and 19829, consistent with the board's responsibilities to the state to recruit and retain highly qualified and effective employees for these positions.
- (c) When a position specified in subdivision (a) is filled through a general civil service appointment, it shall be filled from an eligible list based on an examination held on an open basis, and tenure in the position shall be subject to Article 2 (commencing with Section 19590) of Chapter 7 of Part 2 of Division 5 of Title 2. In addition to the causes for action specified in that article, the board may take action under the article for causes related to its fiduciary responsibility to the state, including the employee's failure to meet specified performance objectives.
- 15873. (a) The executive director of the trust shall be exempt from civil service and shall be appointed by, and serve at the pleasure of, the board.
- (b) The executive director shall administer the affairs of the trust, employ staff, be responsible to the trust for program performance, and shall be considered the head of the department within the meaning of Chapter 2 (commencing with Section 11150) of Part 1.
- 15874. The board shall determine, by majority vote, where to maintain its office and shall hold meetings at that office or elsewhere upon call of the president or four members of the

AB 593 —12—

board. The board shall not relocate its office more than onceupon establishment of the board's first location.

- 15875. All meetings of the board shall be subject to the requirements of the Bagley–Keene Open Meeting Act, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2.
- 15876. On or before March 31, 2006, the Department of General Services shall submit to the trust a complete and thorough inventory of all state—owned real estate and property. The Department of General Services shall also submit to the trust on or before March 31, 2006, an inventory of all lease agreements between any state agency and private or nonpublic management groups.

 15877. (a) On or before January 1, 2007, the trust shall
 - 15877. (a) On or before January 1, 2007, the trust shall review and recommend to the Legislature all real property owned by the state whose management and control should be transferred to the trust.
 - (b) Notwithstanding subdivision (a), the trust shall not consider for transfer any of the following real property owned by the state:
 - (1) Lands in the possession of the Department of Transportation that are used for existing highways or airspace, and properties acquired for highway projects.
 - (2) Lands that are part of the State Park System.
 - (3) Lands under the jurisdiction of the State Lands Commission.
 - (4) Lands in the possession of the Department of Corrections and the California Youth Authority that are used explicitly for the incarceration of inmates.
 - (5) The State Capitol.
 - (6) Any land, building, or property determined to be of historical or cultural significance.
 - (7) Any property subject to Section 1 of Article XIX of the California Constitution.
 - 15878. On or before September 30, 2007, the Legislature shall transfer to the trust, pursuant to the trust's recommendations made pursuant to Section 15877, management and control of the state—owned real estate that the trust recommends for transfer.
- 39 15879. On an annual basis, the executive director of the trust 40 shall report to the Director of General Services regarding

-13 - AB 593

privately owned properties that might appropriately be the subject of a trade for lands owned by the state for the purposes of increasing the portfolio of the trust and maximizing returns to the trust. A particular property shall be included in any report only upon agreement of the owner.

15880. (a) The trust shall do all of the following:

- (1) Generate a return on real estate holdings in the possession of the trust.
- (2) Provide land and buildings it manages and controls for the accommodation of all state agencies, by lease or license or any other arrangement, for their use and occupation.
- (3) Fulfill an obligation to the state to provide innovative stewardship of real property and infrastructure.
- (4) Use private sector management and accounting methods to provide for the efficient and effective utilization of state assets.
- (5) Ensure that all projects undertaken by the trust satisfy state, regional, and local land—use and environmental requirements that apply to private sector projects.
- (6) Ensure that projects undertaken by the trust meet the smart growth principles of Executive Order D–46–01 of 2001.
- (b) In addition to the objectives outlined in subdivision (a), the trust may do all of the following:
 - (1) Acquire and dispose of land and buildings.
 - (2) Construct and maintain buildings.
- (3) Conduct studies or surveys with regard to future office space and building needs of the state.
- (4) Acquire or construct land and buildings that include premises suitable for commercial use and lease any portion of the property or premises to any public or private entity.
- (5) Enter into joint ventures with other public or private entities for the construction or development of buildings and land for joint—use purposes.
- (6) Acquire by purchase, rental or otherwise, equipment, fixtures, and other property, real or personal, required for the land and buildings.
 - (7) Accept land donations from private and nonpublic sources.
- 37 (8) Approve loans or other financing for projects undertaken by the trust.

AB 593 —14—

(9) Contract with the Department of General Services for the management and maintenance of properties and buildings in the possession of the trust.

- 15881. Notwithstanding Section 7550.5, on or before July 1, 2008, and each year thereafter, the trust shall report to the Legislature on the activities undertaken by the trust. The report shall include, but not be limited to all of the following:
- (a) A financial statement showing the assets and liabilities of the trust at the end of the previous fiscal year.
- (b) A summary of the operations of the trust for the previous fiscal year.
- (c) A summary of the revenues and expenditures of the trust for the previous fiscal year.
- 15882. (a) Except as otherwise specified by law, all net proceeds received or generated as a result of actions taken pursuant to this part shall be paid to the California Hope Endowment Fund established pursuant to Section 66972 of the Education Code.
- (b) For purposes of this section, "net proceeds" means gross proceeds less all costs directly related to the administration of the trust and management of state property.
- SEC. 6. Section 54221 of the Government Code is amended to read:
- 54221. (a) As used in this article, the term "local agency" means every city, whether organized under general law or by charter, county, city and county, and district, including school districts of any kind or class, empowered to acquire and hold real property.
- (b) As used in this article, the term "surplus land" means land owned by any agency of the state, or any local agency, that is determined to be no longer necessary for the agency's use, except property being held by the agency for the purpose of exchange.
- (c) As used in this article, the term "open-space purposes" means the use of land for public recreation, enjoyment of scenic beauty, or conservation or use of natural resources.
- (d) As used in this article, the term "persons and families of low or moderate income" means the same as provided under Section 50093 of the Health and Safety Code.
- 39 (e) As used in this article, the term "exempt surplus land" 40 means either of the following:

-15- AB 593

(1) Surplus land which is transferred pursuant to Section 25539.4.

- (2) Surplus land which is (A) less than 5,000 square feet in area, (B) less than the minimum legal residential building lot size for the jurisdiction in which the parcel is located, or 5,000 square feet in area, whichever is less, or (C) has no record access and is less than 10,000 square feet in area; and is not contiguous to land owned by a state or local agency which is used for park, recreational, open–space, or low– and moderate–income housing purposes and is not located within an enterprise zone pursuant to Section 7073 nor a designated program area as defined in Section 7082. If the surplus land is not sold to an owner of contiguous land, it is not considered exempt surplus land and is subject to the provisions of this article.
- (f) Notwithstanding subdivision (e), the following properties are not considered exempt surplus land and are subject to the provisions of this article:
 - (1) Lands within the coastal zone.

- (2) Lands within 1,000 yards of a historical unit of the State Parks System.
- (3) Lands within 1,000 yards of any property that has been listed on, or determined by the State Office of Historic Preservation to be eligible for, the National Register of Historic Places.
- 25 (4) Lands within the Lake Tahoe region as defined in Section 26 66905.5.
- 27 (5) Lands transferred to the California Hope Public Trust 28 pursuant to Section 15878.